22nd November 2024

Weekly Market Recap

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	1.5%	0.9%	18.9%	21.7%
S&P 500	USD	1.7%	2.1%	25.2%	24.2%
Nasdaq	USD	1.9%	2.0%	23.5%	53.8%
Russell 2000	USD	4.5%	7.9%	18.7%	15.1%
Stoxx 600-Europe	EUR	1.1%	-2.2%	6.3%	12.7%
Nikkei 225	JPY	-0.9%	-1.0%	14.2%	28.3%
MSCI Asia Pac ex-Japan	USD	0.4%	-4.1%	9.2%	4.5%
ASEAN	USD	0.8%	-2.7%	9.5%	-3.1%
Shanghai Shenzhen CSI 300 Index	CNY	-2.7%	-2.4%	12.7%	-11.4%
Hang Seng Index	HKD	-1.0%	-6.0%	12.9%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-1.9%	-0.6%	9.8%	-3.7%
FBMKLCI	MYR	-0.1%	-3.3%	9.3%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.1%	-1.8%	-1.3%	5.7%
JPM Asia Credit Index-Core	USD	0.0%	-0.2%	6.3%	9.9%
Asia Dollar Index	USD	-0.2%	-1.8%	-2.9%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.4%	0.5%	3.9%	6.4%

Top Performing Principal Funds	1-mth as of (31 October 2024)	YTD as of (31 October 2024)
Equities		
Principal China Direct Opportunities MYR	6.80	3.67
Principal Islamic Global Selection Aggressive MYR	5.20	4.50
Principal Global Titans	5.04	9.09
Balanced		
Principal Islamic Global Selection Moderate MYR	2.15	-1.46
Principal Asia Pacific Dynamic Mixed Asset MYR	1.96	5.13
Principal Islamic Lifetime Balanced Growth	0.65	14.68
Fixed Income		
Principal Islamic Deposit	0.30	2.98
Principal Deposit	0.29	3.00
Principal Money Market Income AI	0.29	3.07

Source: Bloomberg, market data is as of 22 November 2024.
*As we emphasise a long-term focus, the top performing funds were selected based on monthly performance.
*The numbers may show as negative if there is no positive return for the period under review.
* The fund performance was referenced from the daily performance report, data was extracted from Lipper.
* The performance figures are based on the fund's respective currency class.
*Past performance is not an indication of future performance.

Market Review [1]

1. This week, the global financial markets were largely mixed. Among developed markets, the United States and Europe led in gains, while Japan closed in the red.

2. Across Asia, the overall markets were mixed. The largest gains were led by Korea and India, while both onshore and offshore markets of China experienced the largest declines. In Malaysia, the FBMKLCI closed marginally negative, dragged down by the cautious sentiment in the regional market.

3. In the bond market, the US 10-year Treasury yield edged closer to the 4.4% range as investors digested the recent job and economic data. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the U.S., preliminary data showed the S&P Global Composite PMI rose to 55.3 in November 2024, up from 54.1 in October. The data shows services activity is growing, while manufacturing activity is declining. The number of individuals filing for unemployment benefits fell by 6,000 from the previous week to 213,000 for the period ending November 16th, well below market expectations of an increase to 220,000.[2]

2. In Europe, the HCOB Eurozone Composite PMI fell to 48.1 in November of 2024 from 50 in the previous month, attributed to deteriorating services and manufacturing activity. The manufacturing sector remained in contractionary territory. Annual inflation accelerated to 2% in October 2024, up from 1.7% in September and in line with the preliminary estimates. This year-end increase was largely expected due to base effects, as last year's sharp declines in energy prices are no longer factored into annual rates.[3]

3. In China, the People's Bank of China (PBoC) retained its key lending rates at the November fixing, in line with market estimates. The one-year loan prime rate (LPR), the benchmark for most corporate and household loans, was maintained at 3.1%. Meanwhile, the five-year rate, a reference for property mortgages, was held at 3.6%. The latest decision reflected the PBoC's ongoing assessment of existing stimulus measures. Since late September, Beijing has ramped up efforts to reverse an economic slowdown and achieve the 2024 growth target of around 5%, despite prolonged property sector weakness, low consumer and business confidence, and persistent deflation risks.[4]

4. In Malaysia, the annual inflation rate stood at 1.9% in October 2024, slightly above market forecasts and September's figure of 1.8%. Core consumer prices, excluding volatile food items and administered costs, rose by 1.8% yoy, holding steady for the second month while remaining at their softest pace in six months. Trade surplus decreased slightly to MYR 12.0 billion in October 2024 from MYR 13.0 billion in the same month the previous year. Exports grew by 1.6% year-on-year, slightly below market forecasts. Meanwhile, imports increased by 2.6% to MYR 116.1 billion, the softest growth since November 2023.[5]

Investment Strategy [6]

Markets are readjusting after the US election, signalling expectations of stronger economic growth, higher inflation, slower interest rate cuts, and trade tariffs. As specific policy plans emerge, investors should brace for market fluctuations and consider using significant changes to enhance their long-term portfolios. We slightly prefer equities over fixed income. Key themes for 2025 include: i) the impact of policy shifts on China's recovery; ii) the U.S. economic outlook regarding a soft landing; and iii) the influence of geopolitical risks on asset prices.

1. Equities: We favour quality, dividend-paying stocks for their defensive nature amid macroeconomic uncertainties. Our focus is on Asia, targeting: a) idiosyncratic ideas where the return drivers are not major macro factors; b) Chinese domestic consumption; c) technology (beneficiaries of AI and internet platforms); d) industrial names with exposure to grid capex; e) strong consumer and banking franchises in Southeast Asia; and f) selective Indian companies that are reasonably valued with growth potential. Additionally, we note Malaysia's positive outlook due to political stability and initiatives like the New Energy Transition Roadmap.

2. Fixed Income: The recent correction in MGS/MGII has made government bonds more attractive, but caution is advised due to potential short-term volatility from the U.S. elections. New corporate bond issuances offer better yields, making them appealing for investment.

3. Diversification: We recommend a diversified approach to navigate volatility from geopolitical tensions, central bank rate cuts, and market adjustments following the U.S. election.

Sources:
[1] Bloomberg, 22 November 2024
[2] Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 22 November 2024
[3] S&P Global, ECB, Factset, Bank of England (BoE), 22 November 2024
[4] Bloomberg, National Bureau of Statistic China, CEWC, 22 November 2024
[5] Department of Statistic Malaysia, S&P Global, 22 November 2024
[6] Principal view, 22 November 2024

*PMI refers to Purchasing Manufacturing Index
*HCOB refers to Hamburg Commercial Bank
*NBS PMI refers to official data released by National Bureau of Statis in China
*Caixin PMI refers to data published by Caixin Media and ISH Markit. It provides alternative gauge focusing on smaller and medium-sized enterprises.
*ECB refers to European Central Bank
*PBOC refers to People's Bank of China
*PCE refers to Personal Consumption Expenditure
FOMC: Federal Open Market Committee
*y-o-y refers to year on year
*m-o-m refers to month on month
*UST refers to United States Treasury
*BNM refers to Bank Negara Malaysia